



House of Representatives

General Assembly

File No. 309

February Session, 2012

Substitute House Bill No. 5285

House of Representatives, April 10, 2012

The Committee on Human Services reported through REP. TERCYAK of the 26th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT ADJUSTING COMMUNITY HEALTH CENTER RATES FOR CAPITAL INVESTMENTS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (a) of section 17b-349 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2012*):

4 (a) The rates paid by the state to community health centers and free-
5 standing medical clinics participating in the Medicaid program may be
6 adjusted annually on the basis of the cost reports submitted to the
7 Commissioner of Social Services, except that rates effective July 1, 1989,
8 shall remain in effect through June 30, 1990. (1) Beginning with the
9 one-year rate period commencing on October 1, 2012, and annually
10 thereafter, the Commissioner of Social Services may add to a
11 community health center's rates, if applicable, a capital cost rate
12 adjustment that is equivalent to the center's actual or projected year-to-
13 year increase in total allowable depreciation and interest expenses
14 associated with major capital projects divided by the projected service

15 visit volume. For the purposes of this subsection, "capital costs" means
 16 expenditures for land or building purchases, fixed assets, movable
 17 equipment, capitalized financing fees and capitalized construction
 18 period interest and "major capital projects" means projects with costs
 19 exceeding two million dollars. The commissioner may revise such
 20 capital cost rate adjustment retroactively based on actual allowable
 21 depreciation and interest expenses or actual service visit volume for
 22 the rate period. (2) The commissioner shall establish separate capital
 23 cost rate adjustments for each Medicaid service provided by a center.
 24 (3) The commissioner shall not grant a capital cost rate adjustment to a
 25 community health center for any depreciation or interest expenses
 26 associated with capital costs that were disapproved by the federal
 27 Department of Health and Human Services or another federal or state
 28 government agency with capital expenditure approval authority
 29 related to health care services. (4) The commissioner may allow actual
 30 debt service in lieu of allowable depreciation and interest expenses
 31 associated with capital items funded with a debt obligation, provided
 32 debt service amounts are deemed reasonable in consideration of the
 33 interest rate and other loan terms. (5) The commissioner shall
 34 implement policies and procedures necessary to carry out the
 35 provisions of this subsection while in the process of adopting such
 36 policies and procedures in regulation form, provided notice of intent to
 37 adopt such regulations is published in the Connecticut Law Journal
 38 not later than twenty days after implementation. Such policies and
 39 procedures shall be valid until the time final regulations are effective.

This act shall take effect as follows and shall amend the following sections:

Section 1	October 1, 2012	17b-349(a)
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HS *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note***State Impact:*** None***Municipal Impact:*** None***Explanation***

The bill allows the Department of Social Services (DSS) to add a capitol cost rate adjustment for Medicaid payments to community health centers. There is no fiscal impact as this codifies DSS's current practice.

The Out Years***State Impact:*** None***Municipal Impact:*** None

OLR Bill Analysis**sHB 5285*****AN ACT ADJUSTING COMMUNITY HEALTH CENTER RATES FOR CAPITAL INVESTMENTS.*****SUMMARY:**

This bill permits the Department of Social Services (DSS) commissioner, beginning with the 2013 rate year (October 1 through September 30) and annually thereafter, to add to a community health center's Medicaid rate a capital cost rate adjustment associated with major capital projects (i.e., those costing more than \$2 million). The adjustment is equivalent to the center's actual or projected year-to-year increase in total allowable depreciation and interest expenses associated with the projects divided by the projected number of service visits. The commissioner can revise these adjustments retroactively based on actual allowable depreciation and interest expenses or actual service visit volume for the rate period.

The bill requires the commissioner to establish separate adjustments for each Medicaid service a center provides (e.g., dental, behavioral health).

The bill prohibits DSS from granting an adjustment for any depreciation or interest expense that the U. S. Department of Health and Human Services or another federal or state government agency with health services-related capital expenditure approval authority disapproves.

The bill authorizes the commissioner to allow actual debt service instead of depreciation and interest if the debt service amounts are deemed reasonable considering the interest rate and other loan terms.

The bill requires the commissioner to implement policies and

procedures to carry out its provisions while in the process of adopting them in regulation. He must publish notice of intent to adopt the regulations in the *Connecticut Law Journal* no later than 20 days after implementing them. The policies and procedures are in effect until the final regulations are effective.

EFFECTIVE DATE: October 1, 2012

RATE ADJUSTMENTS FOR CAPITAL INVESTMENTS

Definition of Capital Costs

The bill defines “capital costs” as expenditures for land or building purchases, fixed assets, movable equipment, capitalized financing fees, and capitalized construction period interest.

BACKGROUND

Community Health Centers Definition

The law defines a community health center as a public or nonprofit medical care facility that:

1. is not part of a hospital and is organized and operated to provide comprehensive primary care services;
2. is located in an area that has a demonstrated need for services based on geographic, demographic, and economic factors;
3. serves low-income, uninsured, minority, and elderly people;
4. makes its services available to anyone, regardless of their ability to pay;
5. uses a sliding fee scale based on income;
6. provides, on an ongoing basis, primary health services by physicians and where appropriate, midlevel practitioners, diagnostic lab and x-ray services, preventive health services, and patient care case management;
7. provides for needed pharmacy services either on-site or through

- a firm arrangement;
- 8. has at least half of its full-time equivalent primary care providers employed as full-time staff members;
- 9. maintains an ongoing quality assurance program;
- 10. participates in Medicaid and Medicare;
- 11. has a governing board of nine to 25 members, the majority of whom are active center users and of the nonuser members, no more than half may derive more than 10% of their annual income from the health care industry; and
- 12. provides primary care services at least 32 hours per week and has arrangements for professional coverage during the hours it is closed (CGS § 19a-490a).

Rate Setting in Federally Qualified Health Centers (FQHC) and Medical Clinics

FQHC reimbursement is based on medical, dental, and mental health federally approved prospective rates. Included in these center-specific rates is reimbursement for a center's historical interest and depreciation average costs reported in the base 1999 and 2000 Medicaid cost reports. The base rates established using this methodology were effective January 1, 2001, and are inflated annually by the Medicare Economic Index every October 1. Under this federally prescribed and approved prospective rate setting system (42 USC § 1396a(bb)(3)), an FQHC can apply to DSS for a "scope of service" review and possible associated rate adjustments. For example, if a center wishes to add a service it previously has not offered and needs to purchase equipment, it can ask DSS for one of these reviews. DSS has granted numerous scope-of-service rate increases for capital and operational improvements and expansions.

DSS separately sets rates for clinics that are not FQHCs. These rates are the same for every clinic and cover particular services provided. They do not take into account the clinic's capital expenses.

COMMITTEE ACTION

Human Services Committee

Joint Favorable Substitute

Yea 16 Nay 0 (03/22/2012)